

BEFORE THE MINNESOTA PUBLIC UTILITIES COMMISSION

Barbara Beerhalter  
Cynthia A. Kitlinski  
Norma McKanna  
Robert J. O'Keefe  
Darrel L. Peterson

Chair  
Commissioner  
Commissioner  
Commissioner  
Commissioner

In the Matter of a Summary  
Investigation Into IntraLATA  
Toll Access Compensation for  
Local Exchange Carriers  
Providing Telephone Service  
Within the State of Minnesota

ISSUE DATE: July 25, 1988

DOCKET NO. P-999/CI-85-582

ORDER APPROVING COMPLIANCE  
FILING, ORDER ESTABLISHING  
EFFECTIVE DATE OF THE  
DESIGNATED CARRIER PLAN AND  
ORDER GRANTING EXTENSION FOR  
NORTHWESTERN BELL TO FILE ITS  
REPORT ON LOCAL MEASURED  
SERVICE AND FEATURE GROUPS A  
AND B

PROCEDURAL HISTORY

On November 2, 1987, the Commission issued its FINDINGS OF FACT, CONCLUSIONS OF LAW AND ORDER AND ORDER INITIATING SUMMARY INVESTIGATIONS in this proceeding. On January 11, 1988 the Commission issued its ORDER AFTER RECONSIDERATION.

These Orders required the local exchange carriers (LECs) to file tariffs setting forth their proposed Carrier Common Line Charges (CCLCs) and traffic sensitive rates, fees they would charge interexchange carriers (IXCs) for use of their local facilities to provide long distance service. Each LEC was to compute its own CCLC and traffic sensitive rates, based upon an intrastate toll access revenue requirement determined under guidelines set in those Orders.

On March 14, 1988, Northwestern Bell Telephone Company (NWB) submitted its initial compliance filing in this proceeding. NWB was allowed an additional 30 days after the approval date of the LECs' access tariffs to file its CCLC. The LECs filed their access tariffs by June 2, 1988.

On June 23, 1988, the Commission issued its ORDER CLARIFYING NORTHWESTERN BELL TELEPHONE COMPANY'S TEST YEAR FOR PURPOSES OF COMPLIANCE FILING. In that Order, the Commission concluded that NWB should use the test year base approved in In the Matter of a Petition by the U.S. Department of Defense, the General Services Administration, and All Other Federal Executive Agencies of the United States Challenging the Reasonableness of the Rates Charged by Northwestern Bell Telephone Company, Docket No. P-421/CI-86-354 ("354") (February 11, 1988).

On June 30, 1988, NWB filed its CCLC in this proceeding.

### FINDINGS AND CONCLUSIONS

#### NWB's Compliance Filing

Under the Commission's June 23 Order, NWB was directed to use the "354" docket test year base for calculating its CCLC in its compliance filing in this proceeding. The minutes of use and revenue maintenance amount included in NWB's compliance filing were the amounts approved by the Commission in the "354" case.

Under the Commission's Order of November 2, NWB was required to reduce its CCLC to reflect any decrease in expenses experienced by NWB resulting from the non-Bell LECs' access charge reductions. NWB's compliance filing included a reduction in CCLC revenues of \$1,770,299 attributable to the reductions in the access charges of the non-Bell LECs.

Both AT&T Communications of the Midwest, Inc. (AT&T) and the Department of Public Service (DPS) supported the adoption of NWB's proposed access rates.

The Commission finds that NWB's compliance filing contains traffic sensitive and CCLC rates calculated in accordance with Commission Orders. The Commission concludes that it will approve NWB's March 14, 1988 compliance filing as revised June 30, 1988.

#### Effective Date of the Designated Carrier Plan

In the Commission's April 22, 1988 Order Amending Order After Reconsideration (April 22 Order), order paragraph 1(c) stated:

The designated carrier plan (the DCP) and the two year transitional period shall begin on July 1, 1988 if Northwestern Bell Telephone Company's (NWB's) revised Carrier

Common Line Charge (CCLC) is approved by the Commission on or before July 1, 1988. If NWB's CCLC is not approved by July 1, 1988, the DCP and the two year transitional period shall begin concurrently with the date NWB's CCLC is approved by the Commission.

NWB did not file its revised CCLC until June 30, 1988. Therefore, the CCLC was not approved by July 1, 1988.

In its comments, the DPS recommended that the Commission approve NWB's proposed CCLC with an effective date of August 1, 1988.

The Commission agrees with the DPS that an August 1, 1988 effective date for the Designated Carrier Plan and the two year transitional period would be appropriate. In the April 22 Order, the Commission adopted a July 1, 1988 date as the earliest possible date to begin the DCP. Because the July 1, 1988 date could not be met due to problems encountered by NWB in the preparation of its compliance filing, an August 1, 1988 effective date is reasonable.

Because the Commission will establish August 1, 1988 as the effective date of the DCP and the two year transitional period, the Commission will also establish August 1, 1988 as the effective date of NWB's compliance filing and the effective date of the intrastate access tariffs of the non-Bell LECs submitted in compliance with the Commission's May 12, 1988 ORDER APPROVING COMPLIANCE FILINGS in this proceeding.

#### Imputation of Access

The Commission's Order of November 2 required NWB to file detailed material and supporting documentation showing that NWB includes in its toll rates the same level of contribution, on average, as it recovers, on average, from intrastate access charges imposed by it on other toll carriers.

In the letter accompanying its June 30 compliance filing, NWB explained that the definitive contribution study required by the November 2 Order could not be completed until after NWB's new CCLC had been finally approved. Because the contribution comparison is complicated, and because the details of the study are directly affected by the level of the finally approved CCLC, NWB requested that it be allowed 30 days after approval of its CCLC to submit the required contribution comparison materials.

In its comments, the DPS did not object to NWB's request for an extension of time to file the contribution analysis. The DPS added that if the CCLC is approved effective August 1, 1988, NWB would have until August 31, 1988 to file the contribution analysis.

The Commission finds that NWB cannot file its final contribution study until after its CCLC has been finally approved because the study is directly affected by the level of the finally approved CCLC. NWB's request for an additional 30 days is reasonable. The Commission concludes that because NWB's CCLC will be approved effective August 1, 1988, NWB shall have until August 31, 1988 to file its contribution study as required by the November 2 Order.

NWB's Evaluation on Providing an Exemption to LMS Customers Placing Calls to an IXC with FG-A Connections

In its November 2 Order, the Commission found that when an end user pays local measured service (LMS) rates, those revenues are to compensate the LEC for use of the local switching equipment. When an interexchange carrier (IXC) with a FG-A or FG-B connection pays the LEC access charges, part of those revenues also compensate the LEC for the use of the local switching equipment. In other words, the LEC would collect twice for the same use of the local switching equipment when an LMS end user places a toll call with an IXC that has a FG-A or FG-B connection.

In its letter accompanying its June 30 filing, NWB said that calls from LMS end users to IXCs with FG-B connections are exempt today from LMS charges. Currently for IXCs with FG-A access service, NWB charges the LMS end user and provides a message unit credit to the IXC. This arrangement has been approved by the FCC. NWB assumes the IXC will consider the credits in setting rates. NWB is presently unable to identify which LMS customers use FG-A calling, therefore, NWB is unable to decline to bill the LMS customer. NWB also cannot identify interstate FG-A calls from intrastate calls. As a result, NWB must treat intrastate and interstate calls the same. NWB is currently considering technically feasible methods to provide a LMS billing exemption for such calls.

In the November 2 Order, the Commission directed NWB to continue to evaluate alternatives to the message unit credit and to report to the Commission and the DPS within six months.

In a letter received July 11, 1988, NWB stated that it may be technically feasible to provide an exemption to calls to FG-A interexchange carriers by LMS end users through use of a local reverse billing methodology. The second phase of NWB's evaluation will consist of time and cost estimates and further study of the implications and ramifications of this alternative. Therefore, NWB requested a 60 day extension, until September 12, 1988, to provide a complete evaluation of providing such an exemption to LMS customers who place calls to an IXC with a FG-A connection.

The Commission finds that in the November 2 Order it concluded it was appropriate for NWB to continue to use the message unit credit for intrastate LMS FG-A and FG-B calls until a technically feasible method to provide a LMS billing exemption for such calls was available. The Commission concludes that it would be reasonable to grant NWB's request and provide it with the additional time it needs to fully evaluate the local reverse billing methodology and determine if it is a technically feasible method.

ORDER

1. Northwestern Bell Telephone Company's compliance filing is approved effective August 1, 1988.
2. The Designated Carrier Plan and the two year transitional period shall begin August 1, 1988.
3. The access intrastate tariffs submitted by the non-Bell local exchange carriers in response to the Commission's May 12, 1988 ORDER APPROVING COMPLIANCE FILINGS shall be effective August 1, 1988.
4. Northwestern Bell Telephone Company shall submit its contribution study as required by the November 2 Order by August 31, 1988.
5. Northwestern Bell Telephone Company's evaluation of alternatives to the message unit credit for LMS end user calls to interexchange carriers with FG-A access shall be submitted to the Commission and the Department of Public Service by September 12, 1988. The Company shall also provide documentation that calls from LMS end users to interexchange carriers with FG-B connections are exempt from LMS charges.
6. This Order shall become effective immediately.

BY ORDER OF THE COMMISSION

Mary Ellen Hennen  
Executive Secretary

(S E A L)